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"Meeting The Defense Modernization Challenge"

**Address of
The Under Secretary of Defense for Acquisition and Technology
Dr. Paul G. Kaminski
to the
AFCEA Spring Gala
City Tavern, Georgetown, Washington D.C.**

April 22, 1996

Ladies and gentlemen, it is a great pleasure to be with you and share some of my views on where I think the Department of Defense is headed in warfare, acquisition reform, outsourcing, privatization and competition.

DEFENSE TRENDS

As I look broadly at the external environment that impacts our national security, I note that so many things have changed -- not just in the past 20 years, but in the past year or two. In the post-Cold War world, the United States no longer faces a single galvanizing threat such as the former Soviet Union. Instead, there is increased likelihood of our forces being committed to limited regional military actions -- coalition operations -- in which allies are important partners.

I would sum up our current national security environment in statistical terms by saying that the mean value of our single greatest threat is considerably reduced. But the irony of the situation is that the variance of the collective threat that we must deal with, and plan for, and must counter is up.

This gives us some pause in trying to plan intelligently. In response to reduced mean value of the threat, the United States has cut end strength by about a third from 1985 levels. But at the same time, the increase in variance has caused deployments of U.S. forces to go up by a third.

As I testified to the Senate Armed Services Committee six weeks ago, the strategic focus of the defense acquisition and technology program is on fielding superior operational capability and reducing weapon system life cycle costs.

We have maintained this focus since the Gulf War. As impressive as our military accomplishments were against Saddam Hussein, our forces are qualitatively superior today. We received an inkling of what combat will look like in the 21st century in our support of the NATO combat Operation DELIBERATE FORCE in Bosnia.

In DESERT STORM, only two percent of the weapons expended during the air war were precision guided munitions (PGMs). During the NATO combat Operation DELIBERATE FORCE in Bosnia, PGMs accounted for over 90 percent of the ordnance expended by U.S. forces.

The bomb damage assessment (BDA) photographs in Bosnia bear no resemblance to BDA photos of the past where the target, often undamaged, is surrounded by craters. The Bosnia BDA photos show one crater where the target used to be and virtually no collateral damage.

We are moving to a situation of one target, one weapon—actually more than one, but less than two weapons per target in Operation DELIBERATE FORCE. This has been the promise for the past 20 years, now it is becoming a reality. Our weapons focus is to preserve accuracy while reducing cost; increasing standoff range; and providing all-weather capability. These are the major imperatives behind our streamlined development of systems like the all-weather Joint Direct Attack Munition (JDAM), the Joint Standoff Weapon (JSOW) and the Joint Advanced Standoff Strike Weapon (JASSM).

A chess analogy is useful for explaining the changing nature of warfare. Our precision weapons have now made it possible to take any piece on any square of the chessboard with no collateral damage to adjacent squares. Given this one target one weapon capability, commanders need to see all the pieces on the chessboard. Taking for granted that one can see all the chessboard is what we call Dominant Battlefield Awareness, to know where all one's forces are and where all the targets are on a 100 x 200 kilometer battlefield. If an opponent does not have a similar capability, it's a tremendous advantage for US forces—it's analogous to playing chess with an opponent who can not see the chessboard. JSTARS and UAV sensor systems like Predator are figuring prominently in providing this awareness of the battlefield.

For example, JSTARS, with its all-weather Synthetic Aperture Radar (SAR) and moving target indicator (MTI) capabilities, has flown 51 missions in Bosnia with an average of eight and half hours on station. The JSTARS platform has 60 Gbytes of mass storage on-board and 100 SARs are taken at 3 meter resolution on a typical mission. The total area surveilled has been 747 million square kilometers—that is 75 times the land area of the United States. There have been 38 million total detections and 26,000 total revisits. Over the 51 missions, 6,950 radar service requests have been fulfilled—6,519 for the synthetic aperture radar and 431 for moving target indicator.

To close the loop, though, commanders will need C3 to achieve Dominant Battle Cycle Time—the ability to act before the enemy can react. This is a real unfair advantage—in our chess analogy, it means to keep moving your pieces and not waiting

for your opponent to make a move. To do this, one must have superb command and control systems, fast transportation, and highly mobile maneuver forces.

In Bosnia, we are spending about \$80 million on an information-communications initiative to provide improved C3 to Operation JOINT ENDEAVOR. The initiative is improving our capabilities in two ways: first, using commercial TV satellite technology to provide a direct broadcast communications capability; and secondly, by fielding a wide bandwidth, secure tactical internet through fiber and commercial business satellite transponders to allow for distributed collaborative planning among deployed C2 (Command and Control) nodes. In this way, we're giving local commanders a 5000 mile remote control of the programming they receive through 24 megabits-per-second satellite downlinks.

What this means to our forces is that everyone with a 20 inch receive antenna, cryptologic equipment and authentication will have access to the same data, at the same time. But, more importantly, the fielding of this capability will allow us to install and utilize, for this operation, some of the more advanced C4I capabilities being developed by the Government and industry today for use in the Global Command and Control System (GCCS).

The important messages behind this major warfare thrust are that: (1) we're pushing hard to make the most advanced information capabilities available to our forces; (2) we're demonstrating our willingness to use — even to lease — commercially developed systems; and (3) we've identified the need for system engineering and system integration skills to architect multiple application layers for tailoring information systems to defense needs.

MODERNIZATION TRENDS

I'd like to shift gears a little and talk about the readiness of tomorrow's forces.

The procurement drawdown is nearly over, our modernization reprieve from aging is nearly over, too. We have to start a ramp-up in modernization. That is absolutely critical to the readiness of the forces — not this year or next year, but the readiness of our forces by the end of the century.

By the year 2001, we plan for procurement budget authority to go up by about 50 percent more than what it is in the FY 1997 budget submitted to Congress. And this modernization plan will focus on building a ready, flexible, responsive force for the changing security environment in which we live.

That means we will continue to maintain technological supremacy on the battlefield, especially by seizing on advances in information technology, advanced

semiconductors, computers, software and communication systems. We will also maintain strong emphasis on special operations forces and put greater emphasis on fast transportation and mobility: airlift, sealift, groundlift and trucks.

America is changing the way it fights. You will see a shift in emphasis towards enhancing delivery platforms -- ships, aircraft, and tanks -- with off-board information and highly lethal, extremely accurate weapons.

The Department is pursuing a "modernization" strategy in which we will be fielding fewer, but more capable systems. Because technology ramps are needed to provide a base for future modernization, I do not forecast a major drop in RDT&E funding levels through the FYDP. Instead, we need to take a harder look at our O&S accounts . . . about 60 percent of the budget . . . as an additional source for procurement increases.

With a firm acquisition reform foundation in place, the Department is now beginning a systematic review of its support operations to determine where competitive forces can improve overall performance at lower cost. Outsourcing, privatization, and business reengineering offer significant opportunities to generate much of the savings necessary for modernization and readiness.

Today, our logistics and support activities are similar to the commercial approaches that existed in the 1950s -- we have large inventories and large intermediate storage sites. Its an example of "just-in-case" rather than "just-in-time" logistics.

Our logistics and support reengineering activities are directed towards using fast transportation and total asset visibility information-communications capabilities and planning tools to replace inventory and storage.

Our information-communications initiative is providing ample reserve for a modern logistics approach that is closer to a "just-in-time" system. In Bosnia, for example, we are executing an Joint Logistics Advanced Concept Technology Demonstration to evaluate a Logistics Anchor Desk (LAD) concept. When fully mature, the LAD is expected to be a network of work stations that connects operational planners and logisticians across services and echelons. The LAD provides commanders with up-to-date information on material and personnel -- asset visibility -- and allows them a greater ability to look ahead 72 hours or 20 days ahead and see what the logistics posture on the battlefield will look like.

Last month, logisticians at the intermediate staging base for Joint Endeavor in Kaposvar, Hungary received a LAD, another one has been sent to Lukavac, Bosnia, bringing the total number of LADs in Europe to six. Seven are currently in the United States. All of these sites are connected, so if you are sitting at Atlantic Command and

using the LAD you are seeing the same battlefield that planners are seeing in Stuttgart, Germany. They are all seeing the same battlefield, sharing the same information.

As I indicated earlier, with O&S consuming 60 percent of the budget, there is a greater potential for savings in reengineering our logistics and support processes than in acquisition reform alone. We need to build on a foundation of acquisition reform, exploit commercial concepts and make greater use of privatization and competition.

IMPORTANCE OF COMPETITION AND OUTSOURCING

Outsourcing, privatization, and competition offer the prospect of lowering costs and improving performance across a wide range of support activities. The Department's total budget for operation and maintenance activities in FY 1996 amounts to approximately \$93 billion. Support activities will only be considered for outsourcing or privatization when they meet three conditions:

First, private sector firms must be able to perform the activity and meet our warfighting mission. DoD will not consider outsourcing activities that constitute our core capabilities.

Second, a competitive commercial market must exist for the activity. DoD will gain from outsourcing and competition when there is an incentive for continuous service improvement.

Finally, outsourcing the activity must result in best value for the government and therefore the U.S. taxpayer. Activities will be considered for outsourcing only when the private sector can improve performance or lower costs in the context of long term competition.

If done correctly, outsourcing will not only save us money, it will help us build the kind of organization we want DoD to be: an organization that thrives on competition, innovation, responsiveness to changing needs, efficiency and reliability.

As you know, we already outsource quite a bit. In aggregate, DoD currently outsources approximately 25 percent of base commercial activities, 28 percent of depot maintenance, 10 percent of finance and accounting, 70 percent of Army aviation training, 45 percent of surplus property disposal, and 33 percent of parts distribution, as well as substantial portions of other functions. Indeed, virtually every support function that the Department carries out is provided by the private sector at some location.

The Defense Logistics Agency's Direct Vendor Delivery and Prime Vendor programs illustrate the savings and improvements in readiness that DoD has achieved through business reengineering and outsourcing. Under these programs, suppliers

deliver products directly to their DoD customers, rather than to a DoD warehouse for storage and subsequent distribution to the customer—like a messhall or a medical clinic. The programs have made a tangible contribution to readiness: reducing the need for DoD's own warehousing and transportation allows DLA to deliver supplies to warfighters cheaper and faster. In the case of pharmaceuticals, for example, DoD customers now receive their requested goods 75 to 90 percent faster -- within 24 hours -- and 25 to 35 percent cheaper. These programs not only save resources, but do the job better.

To generate the savings we need for modernization, we need to build on these successes. A broad based review of Department support activities is underway. We currently are focusing on base commercial activities, materiel management, depot maintenance, education and training, data processing, and finance and accounting.

These assessments will likely determine that a number of activities are not appropriate candidates for outsourcing or competition. However, the remaining pool of candidates will be sizable, and we expect that the potential for increased savings and improved performance will be significant, amounting to billions of dollars on an annual basis.

The savings will directly benefit modernization. To make this connection clear and to provide appropriate incentives to the Military Departments, the Deputy Secretary of Defense signed a memorandum on February 26, 1996, stating that the DoD Components will not have their outyear budgets reduced as a result of the savings they create through their initiatives, and that these savings should benefit modernization.

SUMMARY

In conclusion, our defense planning assumes that we will get significant savings by overhauling our defense acquisition system. The idea is to be more efficient in what we buy; how we buy it; and how we oversee that buying process.

DoD can free up additional resources required for modernization in the future by managing its internal operations and particularly its support activities more efficiently. Introducing the competitive forces of the private sector into DoD support activities will reduce costs and improve performance.

Through its outsourcing initiatives, DoD has begun a long-term effort to streamline its support functions further. The success of the Department's outsourcing initiatives today will help determine how well it supports you, the warfighters, tomorrow.

I believe we have made an excellent start in moving the Defense Department in a new direction—one that secures the Department's long-term modernization strategy; meets the national security needs of the nation; and preserves a legacy of technological superiority for U.S. forces in the 21st Century.